

**REPORT OF THE AUDIT OF THE  
MONTGOMERY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
[www.kyauditor.net](http://www.kyauditor.net)

144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MONTGOMERY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Montgomery County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$189,485 from the beginning of the year, resulting in a cash surplus of \$1,629,795 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$644,251. Future collections of \$944,576 are needed over the next 12 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$805,345 as of June 30, 2002. Future principal and interest payments of \$878,505 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Banford D. Wilson, Jr., Montgomery County Judge/Executive

Members of the Montgomery County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Montgomery County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Montgomery County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Montgomery County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Montgomery County, Kentucky, as of June 30, 2002, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Banford D. Wilson, Jr., Montgomery County Judge/Executive  
Members of the Montgomery County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2003, on our consideration of Montgomery County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Montgomery County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2003



MONTGOMERY COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Banford D. Wilson, Jr.	County Judge/Executive
Lloyd G. Cassidy	Commissioner
Lynda D. Prewitt	Commissioner
Frank M. Sponcil	Commissioner

**Other Elected Officials:**

Paul D. Cowden	County Attorney
Everett D. Myers	Jailer
Judy Long Witt	County Clerk
Connie Curtis	Circuit Court Clerk
Fred Shortridge	Sheriff
Jeff Garrison	Property Valuation Administrator
Wallace Johnson	Coroner

**Appointed Personnel:**

Forrest Brown	County Treasurer
Edna K. Rodgers	Occupational Tax Collector
Brenda Jackson	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS



MONTGOMERY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Enterprise	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,259,117	\$ 352,195	\$ 25,387	\$ 1,636,699
Note Receivable (Note 4A)		322,371		322,371
Note Receivable (Note 4B)		86,986		86,986
Total Assets	<u>\$ 1,259,117</u>	<u>\$ 761,552</u>	<u>\$ 25,387</u>	<u>\$ 2,046,056</u>
<u>Other Resources</u>				
Amounts to Be Provided				
In Future Years for:				
Capital Leases	\$ 756,000	\$	\$	\$ 756,000
Jail Participation Agreement	644,251			644,251
Total Other Resources	<u>\$ 1,400,251</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,400,251</u>
Total Assets and Other Resources	<u><u>\$ 2,659,368</u></u>	<u><u>\$ 761,552</u></u>	<u><u>\$ 25,387</u></u>	<u><u>\$ 3,446,307</u></u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types		Proprietary Fund Type	Reporting Entity
	General	Special Revenue	Enterprise	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases:				
Acquisition of Land (Note 5)	\$ 49,345	\$	\$	\$ 49,345
Courthouse Annex (Note 7A)	257,000			257,000
Industrial Park Expansion (Note 7B)	499,000			499,000
Jail Participation Agreement (Note 6)	644,251			644,251
Payroll Revolving Account	6,904			6,904
Total Liabilities	\$ 1,456,500	\$	\$	\$ 1,456,500
<u>Equity</u>				
Fund Balances:				
Unreserved	\$ 1,202,868	\$ 761,552	\$ 25,387	\$ 1,989,807
Total Equity	\$ 1,202,868	\$ 761,552	\$ 25,387	\$ 1,989,807
Total Liabilities and Equity	\$ 2,659,368	\$ 761,552	\$ 25,387	\$ 3,446,307

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MONTGOMERY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,735,385	\$ 676,511	\$ 1,235,494	\$ 94,022
Other Financing Sources:				
Transfers In	107,537	464,859	261,359	
Receipts - Jail Canteen				
Kentucky Advance Revenue Program	1,953,700			
Lease-Purchase Proceeds	195,000			
Total Cash Receipts	<u>\$ 5,991,622</u>	<u>\$ 1,141,370</u>	<u>\$ 1,496,853</u>	<u>\$ 94,022</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,088,407	\$ 1,033,833	\$ 1,466,464	\$ 86,000
Other Financing Uses:				
Schedule of Jail Canteen Expenditures				
Transfers Out	807,546	107,537		
Jail Participation Agreement:				
Principal			31,389	
Annex Capital Lease Agreement:				
Principal	224,655			
Kentucky Advance Revenue Program Repaid	1,953,700			
Total Cash Disbursements	<u>\$ 6,074,308</u>	<u>\$ 1,141,370</u>	<u>\$ 1,497,853</u>	<u>\$ 86,000</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (82,686)	\$	\$ (1,000)	\$ 8,022
Cash Balance - July 1, 2001	<u>1,326,877</u>		<u>1,000</u>	
	*			
Cash Balance - June 30, 2002	<u>\$ 1,244,191</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,022</u>

\* The General Fund prior year balance does not agree with the prior year report due prior year voided checks.

The accompanying notes are an integral part of the financial statements.



MONTGOMERY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

Special Revenue Fund Type					Enterprise Fund Type
Finneran Fund	Health and Civic Center Fund	Emergency Food and Shelter Fund	Juvenile Justice Fund	Revolving Loan Fund	Jail Canteen Fund
\$ 4,189	\$ 166,858	\$ 14,382	\$ 20,314	\$ 91,847	\$
	40,000		41,328		261,086
<u>\$ 4,189</u>	<u>\$ 206,858</u>	<u>\$ 14,382</u>	<u>\$ 61,642</u>	<u>\$ 91,847</u>	<u>\$ 261,086</u>
\$ 9,113	\$ 296,144	\$ 14,382	\$ 57,091	\$ 123,174	\$
					253,921
<u>\$ 9,113</u>	<u>\$ 296,144</u>	<u>\$ 14,382</u>	<u>\$ 57,091</u>	<u>\$ 123,174</u>	<u>\$ 253,921</u>
\$ (4,924)	\$ (89,286)	\$	\$ 4,551	\$ (31,327)	\$ 7,165
85,873	164,126			223,182	18,222
<u>\$ 80,949</u>	<u>\$ 74,840</u>	<u>\$</u>	<u>\$ 4,551</u>	<u>\$ 191,855</u>	<u>\$ 25,387</u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

<u>Cash Receipts</u>	<u>Totals (Memorandum Only)</u>
Schedule of Operating Revenue	\$ 6,039,002
Other Financing Sources:	
Transfers In	915,083
Receipts - Jail Canteen	261,086
Kentucky Advance Revenue Program	1,953,700
Lease-Purchase Proceeds	<u>195,000</u>
Total Cash Receipts	<u>\$ 9,363,871</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,174,608
Other Financing Uses:	
Schedule of Jail Canteen Expenditure:	253,921
Transfers Out	915,083
Jail Participation Agreement:	
Principal	31,389
Annex Capital Lease Agreement:	
Principal	224,655
Kentucky Advance Revenue Program Repaid	<u>1,953,700</u>
Total Cash Disbursements	<u>\$ 9,553,356</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (189,485)
Cash Balance - July 1, 2001	<u>1,819,280</u>
Cash Balance - June 30, 2002	<u><u>\$ 1,629,795</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE



MONTGOMERY COUNTY  
STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	<u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 104,796
Payments to Suppliers	(42,637)
Operating Disbursements	<u>(150,576)</u>
Net Cash Used By Operating Activities	<u>\$ (88,417)</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received on Inmate Accounts	\$ 144,143
Other Receipts	12,147
Inmate Account Refunds	(48,561)
Other Disbursements	<u>(12,147)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 95,582</u>
Net Increase in Cash	\$ 7,165
Cash and Cash Equivalents - Beginning	<u>18,222</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 25,387</u></u>

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Montgomery County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Montgomery County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Montgomery County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Montgomery County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Montgomery County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund (LGEA).

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Montgomery County Special Revenue Fund Type includes the following county funds: Finneran Fund, Health and Civic Center Fund, Emergency Food and Shelter Fund, Juvenile Justice Fund, and Revolving Loan Fund.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Montgomery County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Montgomery County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.



MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Notes Receivable

A. The county loaned \$600,000 to Thornberry Enterprises Inc. on September 22, 1994, for the purpose of constructing a wood products manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule at 3.0 percent interest. Thornberry Enterprises Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$322,371.

B. The county loaned \$100,000 to Tenth Frame Cinema on September 24, 2001, for the purpose of building and purchasing equipment. Terms of the agreement stipulate a five-year repayment schedule at 6.5 percent interest. Tenth Frame Cinema is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$86,986.

Note 5. Short-Term Debt

On September 21, 2001, the county entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$195,000 to purchase land. The lease agreement requires twelve monthly principal and interest payments to be completed on September 2, 2002, with an interest rate of 3.25%. As of June 30, 2002, the principal balance due was \$49,345. This was subsequently paid off on September 20, 2002, and the property was sold to the Shrimp Growers Association on November 21, 2002.

Note 6. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issued revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$3,980,885 of revenue bonds at various interest rates, of which the county has agreed to pay \$961,340 principal and a proportional share of interest on the issue to be paid in full on October 1, 2014. Revenue bonds outstanding as of June 30, 2002, totaled \$644,251. Debt service requirements due for the remaining years are:

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 6. Long-Term Participation Agreement (Continued)

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2003	\$ 39,793	\$ 33,379
2004	37,610	35,496
2005	35,287	37,747
2006	32,818	40,140
2007	30,192	42,686
2008-2012	105,359	257,628
2013-2014	19,266	197,175
Totals	<u>\$ 300,325</u>	<u>\$ 644,251</u>

Note 7. Lease-Purchase Agreements

A. The county entered into a lease purchase agreement on June 2, 1995, with the Kentucky Association of Counties Leasing Trust for renovation of the courthouse annex. The original principal was \$750,000. On May 7, 2001, the lease purchase agreement was restructured. The new lease stipulates a term of 4 years and an interest rate of 3.56%. The lease will terminate January 20, 2005. The principal outstanding as of June 30, 2002, was \$257,000. Debt service requirements due for the remaining years are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2003	\$ 9,667	\$ 82,000
2004	6,037	86,000
2005	2,252	89,000
Totals	<u>\$ 17,956</u>	<u>\$ 257,000</u>

B. The county entered into a lease purchase agreement on March 25, 2002, with the Kentucky Association of Counties Leasing Trust for the purchase of land for the expansion of the industrial park. The principal amount was \$499,000. The lease stipulates a term of 5 years and an interest rate of 3.25%. The lease will terminate March 20, 2007. The principal outstanding as of June 30, 2002, was \$499,000. Debt service requirements due for the remaining years are:

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 7. Lease-Purchase Agreements (Continued)

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2003	\$ 18,699	\$ 93,521
2004	14,992	96,560
2005	11,165	99,698
2006	7,214	102,938
2007	3,134	106,283
Totals	<u>\$ 55,204</u>	<u>\$ 499,000</u>

Note 8. Insurance

For the fiscal year ended June 30, 2002, Montgomery County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



MONTGOMERY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 5,521,840	\$ 3,735,385	\$ (1,786,455)
Road and Bridge Fund	712,466	676,511	(35,955)
Jail Fund	1,140,529	1,235,494	94,965
Local Government Economic Assistance Fund	86,000	94,022	8,022
<u>Special Revenue Fund Type</u>			
Finneran Fund	5,000	4,189	(811)
Health and Civic Center Fund	173,300	166,858	(6,442)
Emergency Food and Shelter Fund	15,000	14,382	(618)
Juvenile Justice Fund	20,000	20,314	314
Revolving Loan Fund	77,523	91,847	14,324
Totals	<u>\$ 7,751,658</u>	<u>\$ 6,039,002</u>	<u>\$ (1,712,656)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above		\$ 7,751,658	
Add: Budgeted Prior Year Surplus		2,290,000	
Less: Other Financing Uses		<u>(2,296,229)</u>	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 7,745,429</u>	

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SCHEDULE OF OPERATING REVENUE



MONTGOMERY COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Special Revenue Fund Type
Taxes	\$ 3,084,709	\$ 3,084,709	\$
Excess Fees	188,101	188,101	
Licenses and Permits	79,838	79,838	
Intergovernmental Revenues	2,067,196	2,000,122	67,074
Charges for Services	112,787	98,873	13,914
Miscellaneous Revenues	367,047	166,688	200,359
Interest Earned	139,324	123,081	16,243
Total Operating Revenue	<u>\$ 6,039,002</u>	<u>\$ 5,741,412</u>	<u>\$ 297,590</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



MONTGOMERY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,344,855	\$ 1,445,911	\$ (101,056)
Protection to Persons and Property	1,414,914	1,366,326	48,588
General Health and Sanitation	182,193	175,853	6,340
Social Services	67,500	69,055	(1,555)
Recreation and Culture	75,000	57,709	17,291
Transportation Facilities and Services	37,000	2,632	34,368
Roads	1,209,366	974,098	235,268
Airports	25,000	25,000	
Debt Service	191,603	82,893	108,710
Administration	2,342,175	1,475,227	866,948
Total Operating Budget - General Fund Type	\$ 6,889,606	\$ 5,674,704	\$ 1,214,902
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	2,000,000	1,953,700	46,300
Capital Lease Agreements-			
Principal on Leases	264,840	224,655	40,185
Jail Participation Agreement-			
Principal	31,389	31,389	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 9,185,835</u>	<u>\$ 7,884,448</u>	<u>\$ 1,301,387</u>

MONTGOMERY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 100,000	\$ 57,091	\$ 42,909
General Health and Sanitation	125,000	282,286	(157,286)
Social Services	15,000	14,382	618
Capital Projects	15,000	9,113	5,887
Administration	600,823	137,032	463,791
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 855,823</b>	<b>\$ 499,904</b>	<b>\$ 355,919</b>



SCHEDULE OF JAIL CANTEEN EXPENDITURES



MONTGOMERY COUNTY  
SCHEDULE OF JAIL CANTEEN EXPENDITURES

For Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	<u>Jail Canteen Fund</u>
Inventory	\$ 42,637
Inmate Account Sales	48,562
Entertainment Expense	23,229
Inmate State Payroll	12,006
Other Expenditures	<u>127,487</u>
Totals	<u>\$ 253,921</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Banford D. Wilson, Jr., Montgomery County Judge/Executive

Members of the Montgomery County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of Financial**  
**Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Montgomery County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montgomery County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2003



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MONTGOMERY COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2002

Appendix A

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MONTGOMERY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Montgomery County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Montgomery County Judge/Executive

  
\_\_\_\_\_  
Montgomery County Treasurer

